



Property Tax Controls

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Definition and Background

Levy is the money raised by property tax.

Legislators froze levies in the mid 1970's which created maximum levies.



Definition and Background

Maximum levy is the maximum amount of tax money which may be raised as determined by statute.

The max. levy includes funds such as General Fund, Health Fund, Reassessment Fund and Park Fund.



Definition and Background

Some funds are exempt from the max. levy limitation – debt funds, cumulative capital development, township cumulative fire.

Growth Quotient

Each year a taxing unit may increase its levy by an amount called the growth quotient.

This growth is limited to the annual growth in non-farm income over the past six years, with a maximum of 6%.

Definition and Background

Certified levy = levy approved by DLGF

Certified levy may be less than the max. levy – but can never be more.

Levy Example

$$\text{Tax rate} * (\text{A.V.}/100) = \text{Levy}$$

- Auditor certifies an assessed value of \$25,000,000
- Taxing unit adopts tax rate of .3500 per \$100 of assessed value for the General fund
- $\text{Levy} = .3500 * (\$25,000,000 / 100) = \$87,500$



Excessive Levy Appeals

Definition: An increase in the normal maximum levy

- File appeal paperwork with DLGF before Oct 20th or Dec 31st for a Property Tax Shortfall Appeal
- Include excessive levy amount in budget
- Must be advertised on Form 3

Types of Excessive Levy Appeals

- Annexation, Consolidation or Extension of Services
- Three Year Growth Factor Exceeding 102% of Statewide Growth Factor
- Correction of Advertising, Mathematical or Data Error
- Property Tax Shortfall Due to Erroneous Assessed Value
- Emergency Levy Appeal (natural disaster, an accident, or other unanticipated emergency)

County Council Review

County Council is required to review and issue a non-binding recommendation for all civil units' budgets, tax rates and tax levies. (Schools are exempt from this review.)

County Council Review

- Non-elected board: If budget increases more than the state growth factor, the unit's fiscal body is required to adopt the budget, tax rates and levies.
- Non-elected board: If budget does not increase more than the state growth factor, county council will issue a non-binding recommendation.

County Council Review

Elected board: County council will issue a non-binding recommendation concerning the budgets, tax rates and tax levies.

- If the taxing unit fails to submit a budget for council review then the unit is held to the previous year's budgets and tax levies.
- If county council fails to issue a recommendation, the county budgets are held to the previous year's budgets and tax levies.

Property Tax Controls

Questions????



Budget Forms

Budget Form 1 - Budget Estimate

Form 1 is divided into four categories

- Personal Services
- Supplies
- Other Services and Charges
- Capital Outlays

Details appropriations by fund and classification

Budget Forms

Budget Form 2 – Estimate of Miscellaneous Revenue

Accounts for revenue other than property taxes

Each fund is listed individually on Form 2

Budget Forms

Budget Form 2 – Estimate of Miscellaneous Revenue

Col A is for revenue to be received 7/1 to 12/31 of current year

Col B is for revenue to be received 1/1 to 12/31 of incoming budget year

Budget Forms

Budget Form 3 – Notice to Taxpayers

Published 10 days before public hearing

10 days between public hearing and adoption

Must answer objecting petitions

Budget Forms

Budget Form 3 – Notice to Taxpayers

Lists date, time and location of public hearing and adoption meeting

Must list fund name, budget estimate, fund levy, excessive levy appeal, current fund levy

Budget Forms

Budget Form 3 – Notice to Taxpayers

Deadlines

First Publication	September 2, 2009
Second Publication	September 9, 2009
Public Hearing	October 22, 2009
Adoption Hearing	November 1, 2009

Budget Forms

Budget Form 4 – Townships

Certificate of Appropriations

Name of township and county

Date and location of adoption meeting

Appropriation by fund and classification taken from
Form 1

Township board signs the back of the form

Date reflects the advertised adoption date

Budget Forms

Budget Form 4 - Cities, Towns, Counties

Council/Board signs approving appropriations listed on Form 4A and tax levies and tax rates calculated on Form 4B

Date must reflect adoption date specified on budget legal ad

Budget Forms

Budget Form 4 – Libraries

Resolution of Appropriations

Name of library and county

Separate Form 4 for each fund

Appropriation by fund and classification taken from
Form 1

Library Board/Fiscal Body signs the form

Date reflects advertised adoption date

Budget Forms

Budget Form 4A – Cities, Towns, Counties

Figures from Form 1

Lists appropriations by fund

If fund is departmentalized lists by department within the fund

Budget Forms

Budget Form 4A

Original Published Budget

Local Council or Board

Tax Adjustment Board

Final Budget DLGF

Budget Forms

Budget Form 4B – Financial Statement 16 Line Statement

To be completed for each fund appropriated or fund
with a tax rate and levy

Budget estimate

Financial statement

Proposed tax rate

Budget Forms

Budget Form 4B

Reflects budget, rate and levy as prepared by fiscal officer

Reflects budget, rate and levy as approved by fiscal body

Budget Forms

Budget Form 5 – Townships and Libraries

Budget Submission Letter

Certificate and Resolution of Tax Rates

Rates must match line 17 of budget Form 4B

Budget Forms

Questions????

Understanding the 16 Line Statement

Form 4B – Budget Estimate

Sometimes referred to as the “16 line statement”

Requires greatest scrutiny

Shows financial condition for an 18 month period

Provides estimated levy and tax rate

Understanding the 16 Line Statement

Form 4B – Line 1

Represents the total budget estimate for the incoming year

Should equal the total budget amount shown on Form 1

Should also equal the amount shown on Form 4 or 4A

Understanding the 16 Line Statement

Form 4B – Line 2

Represents the balance of appropriations left to be spent July through December of current year

Do not try to estimate your expenses for July through December – use the actual balance of appropriations

Understanding the 16 Line Statement

Form 4B – Line 2

Use the following formula to arrive at Line 2

- 2009 DLGF approved budget
- + Encumbrances from 2008
- + 2009 additional appropriations 1/1 to 6/30
- = Total 2009 appropriations
- Fund disbursements 1/1 to 6/30
- + Unappropriated expenditures
- = Balance of appropriations as of 6/30

Understanding the 16 Line Statement

Form 4B – Line 3

Line 3, additional appropriations, is estimated by the taxing unit

If line 2 is not sufficient to cover expenses from 7/1 to 12/31 an amount necessary to cover expenses will be entered for debt funds

The amount is subject to DLGF approval

Understanding the 16 Line Statement

Form 4B – Lines 4A & 4B

Outstanding Temporary Loans

Line 4A represents temporary loans borrowed prior to 6/30 of current year and will be paid back by 12/31 of the current year

Line 4B represents temporary loans borrowed prior to 6/30 of current year and will be paid back by 6/30 of the ensuing year

Understanding the 16 Line Statement

Form 4B – Lines 4A & 4B

Temporary loans not paid back by the end of the current year are subject to:

Emergency declaration

Signed resolution/ordinance

Reporting to the DLGF & State Board of Accounts

Understanding the 16 Line Statement

Form 4B – Line 5

Line 5 is the total of Lines 1 through 4B

It represents the estimated expenditures for the 18
month period

Understanding the 16 Line Statement

Form 4B - Line 6

Actual cash balance of the fund as of 6/30

Includes cash & investments

Taken from cash ledger and investment record

Understanding the 16 Line Statement

Form 4B – Line 7

Property taxes to be received 7/1 through 12/31

Information taken from county auditor's certificate

Compare to certified levy less June distribution

Understanding the 16 Line Statement

Form 4B – Line 8A

Revenues to be collected 7/1 through 12/31 of the
current year

Taken from Form 2 Column A

Be conservative with estimates

Understanding the 16 Line Statement

Form 4B Line 8B

Revenues to be collected in the ensuing year

Taken from Form 2 Column B

Be conservative with estimates

Understanding the 16 Line Statement

Form 4B – Line 9

Total of Lines 6 through 8B

Shows revenues & cash on hand for the 18 month
period

Does not include ensuing year's property taxes

Understanding the 16 Line Statement

Form 4B – Line 10

Line 5 minus Line 9

Shows property taxes needed to fund the ensuing
year's budget

Can be a negative number

Understanding the 16 Line Statement

Form 4B – Line 11

Amount needed to maintain cash flow

Property tax dollars needed to operate six months less
miscellaneous revenue

Can never be negative

Understanding the 16 Line Statement

Form 4B – Line 12

Lines 12 through 17 apply to funds with property taxes only

Add Lines 10 and 11 to get Line 12

Understanding the 16 Line Statement

Form 4B – Line 13

Line 13 applies only to counties that have adopted
County Adjusted Gross Income Tax (CAGIT)

Replacement credit required for levy reduction

Amounts for 2010 will be provided to the county
auditor by the DLGF

Understanding the 16 Line Statement

Form 4B – Line 14

Line 14 is the result of Line 12 minus Line 13

Compare to maximum levy

In COIT or non-adopting counties Line 14 will be the same as Line 12

Understanding the 16 Line Statement

Form 4B – Line 15

Levy Excess

Taxes collected in prior year that are in excess of
100% of certified levy

Credit applied to ensuing year's levy

Understanding the 16 Line Statement

Form 4B – Line 16

Amount of property tax needed

Same as Line 14

Proposed tax levy to be advertised on Form 3

Understanding the 16 Line Statement

Form 4B – Line 17

Tax rate on each \$100 of assessed value

Equals the result of Line 16 / (net AV/100)

Results in property tax to be levied

Understanding the 16 Line Statement

Form 4B – Line 17

Rate Calculation Example

If your assessed value is \$123,456,789 and the tax levy you wish to generate (line 16) is \$654,321 then do the following:

Step 1: Divide your assessed value by 100:

$$123,456,789 / 100 = 1,234,567.89$$

Step 2: Divide your desired tax levy (\$654,321) by the result of Step 1:

$$654,321 / 1,234,567.89 = .5300$$

This results in a tax rate of \$0.53 per \$100 of assessed value

Understanding the 16 Line Statement

Form 4B – Line 17

Review carefully – double check all calculations

Getting the decimal off one place will have a major impact

Compare to the current tax rate to see if it makes sense

Understanding the 16 Line Statement

Questions????

For More Information

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